

San Diego City Attorney's Office

After Disaster Strikes – What You Need to Know Before Rebuilding

After our recent fire disaster involving the destruction of many homes, homeowners around the county will face the daunting task of rebuilding. During this process homeowners will most likely be living with relatives, in a rental home, or even in a hotel for many weeks or months before they can finally “go home.” In an effort to “get home” as quickly as possible, homeowners may be tempted to rush the rebuilding process and make hasty decisions. Unfortunately, not doing your homework can result in a major heartache for homeowners later on.

California law requires that anyone who contracts to perform various types of work, ranging from debris removal to rebuilding, that is valued at \$500 or more for materials and labor must hold a current, valid license issued by the California Contractors State License Board [“CSLB”] in the area for which he or she is contracting. There are 43 different types of contractor licenses issued by the CSLB, including general and specialty contractors.

In order to obtain a license, a contractor must submit an application for review, verify at least four years of journey-level experience in the trade to be licensed (e.g., general, plumbing, etc.), pass a two-part examination, secure a license bond, and provide workers' compensation insurance for any employees. Additionally, as of July 1, 2005, all new licensed contractors also have to pass a criminal background check.

Every year, the San Diego City Attorney's Office prosecutes a significant number of unlicensed contractor cases occurring within the City of San Diego. Most cases involve very bright and savvy homeowners looking to either remodel or rebuild. These homeowners “do their homework,” obtain multiple bids, compare costs and materials, and appear to have all their bases covered.

Unfortunately, one base, which seems very basic, is often not covered – is your contractor even licensed? Sad to say, many unlicensed contractors actually list false contractor license numbers on their business cards and materials. Many of these contractors appear very “professional” with websites, fancy letterhead, and logos on corporate vehicles. Unfortunately, a license number is just that – a six digit number. Unless there is a valid license issued by the CSLB behind it – that number is meaningless and provides a homeowner no protection, and in the end no solace at all.

When researching contractors always check to make sure they have valid licenses. This is a quick and easy process.

- (1) Go to the California State Contractor's License Board website at www.cslb.ca.gov or call them directly at **(800) 321-CSLB**. You can simply put in the license number or the name of the contractor and they will tell you whether the license is valid and who holds the license. Also, be sure to verify that the type of license matches the type of work to be performed. As stated, there are 43 different types of contractor's licenses. You probably would not want to hire a plumbing contractor to re-do your electrical wiring. Also, you should be aware that landscapers and pool and pond builders are required to hold licenses as well.

IMPORTANT NOTE: It is illegal and maybe punishable as a felony for an individual to perform contracting work in a declared disaster area without a valid California contractor's license. Violators may face punishment including fines of up to \$10,000 or imprisonment of up to 16 months in state prison. If you have been approached by an unlicensed contractor for work in a declared disaster

area, please contact the CSLB or your local law enforcement agency immediately.

It's also a good idea to check out your contractor through the **Better Business Bureau** (BBB). If complaints have been lodged against your contractor the BBB may have record of it.

- (2) Go to the BBB website at www.sandiego.bbb.org. Right from the home page you can "Check Out a Business or Charity." Put in your contractor's name or the company name and see if complaints have been filed. This helpful site also has a feature that allows you to check for license status and will link you directly with the CSLB. You can also call the San Diego BBB directly at (858) 496-2141.

Other Important Tips:

- (3) **Do not rush into repairs**, not matter how badly they are needed. Homeowners should contact their insurance company to find out what is covered under their policies and how to proceed. Renters should check with their landlord and review their rental agreements to learn who is responsible for damages and repairs.
- (4) **Obtain at least three competitive, written bids** for your project. Be sure that each contractor is bidding from the same set of plans and specifications (so you can compare "apples to apples"). Learn as much as you can about the methods and materials that are to be used. The more knowledgeable you are, the better position you are in to choose the right contractor and materials for your job.
- (5) **The lowest bid may not be the best bid.** Remember unlicensed contractors may offer an unusually low price. They can undercut competition because they usually do not carry insurance, hold completion bonds, or sometimes even pay the suppliers. You do not want to be left holding the bag to an unfinished project or face mechanics liens on your home recorded by unpaid suppliers. Again, taking a chance on an unlicensed contractor is not worth the risks. Also, if a licensed contractor submits a substantially lower bid than other licensed contractors, this usually indicates that the contractor made a mistake or did not include all of the work quoted by his/her competitors.
- (6) **Verify the contractor's identity** by asking to see the contractor's CSLB pocket license and a government-issued picture ID when he/she comes to your house to give you a bid. If dealing with a salesperson, ask to see their CSLB registration card along with a picture ID. If necessary, contact the licensed contractor and request a face-to-face meeting.
- (7) **Request and check references.** Obtaining a list of references from a contractor is meaningless unless *you actually check them*. It is always wise to follow up with references and speak with other homeowners who have had major projects with your potential contractor.
- (8) **Verify the contractor's business location and telephone number.** A contractor who operates out of a truck with a cellular telephone may be difficult to locate in order to complete a job or fix something after the last bill has been paid. A licensed contractor's "address of record" may be accessed on the CSLB website.
- (9) **Verify the contractor's workers' compensation and commercial general liability insurance coverage.** Ask to see a copy of the contractor's certificate of insurance, or ask for the name of the contractor's insurance carrier and agency.

In California, if a contractor has employees, he/she is required to carry workers' compensation insurance. If a worker is injured working on your property and the contractor does not have insurance, you could be liable to pay for the injuries and rehabilitation. Also, ask whether the contractor carries commercial general liability insurance to cover any damage to your property. Although commercial general liability insurance is not required by law, a contractor should be able to explain how they would cover property damage that would ordinarily be covered by insurance.

- (10) **Get your contract in writing – include details and materials.** Your contract is one of the best ways to protect yourself in the event the project does not turn out as planned. In fact, California law requires a written contract for all home improvement projects over \$500. Do not sign anything until you completely understand what you are signing, and agree to all the terms. Never sign a contract that is blank or partially blank – even if your contractor assures you the “details” will be filled in later. Be sure that everything you have agreed upon is included, and get all oral representations/promises in writing. The contract should fully and clearly describe the work to be performed, the materials to be used, the payment schedule, and completion date.
- (11) **Any added work, substituted materials or equipment, or a changed completion date** should be clearly worded in a written and signed “change order.”
- (12) **Do not overpay up front.** Under California law the maximum down payment you should pay when entering a contract is \$1,000 or 10% of the contract price *whichever is less*. Swimming pool contractors may only accept \$200 or 2% of the contract price up front. Many unlicensed contractors get as much money up front as possible. This way they can either abandon the project (take the money and run) or ensure they get some money out of a project even where the work is substandard. If your contractor wants significant up-front money, this should be a red flag to you. Similarly, make sure the progress payments you make to your contractor mirror the amount of work actually occurring at your project – don't let the money get ahead of the work.
- (13) **Do not be swayed by a kind and caring personality.** A recurring theme among homeowner victims is that their contractor seemed “so honest and caring.” Although your contractor appears to be a “nice guy” and you may feel uncomfortable asking for additional information, details, and documentation - ask for it anyway. Particularly in times of disaster, you will be tempted to go along with a “Good Samaritan” contractor. No matter how much you may like this contractor, you still need to do your homework. Later on if you run into trouble or a misunderstanding, you will be glad you obtained everything in writing and thoroughly checked out your contractor's background.
- (14) **Additional Resources:** If you are interested in learning more, the CSLB maintains a number of booklets and pamphlets that are available free of charge. Call the CSLB at (800) 321-2752 or go to www.cslb.ca.gov to order.

These are just some of the tips to help you get started on the road to successfully rebuilding your home. Again, as with most important tasks, take your time and do your homework. Your best defense is to be well-informed.

If you discover you are a victim of an unscrupulous contractor, please immediately file a complaint with the California Contractors State License Board. The complaint form may be found at www.cslb.ca.gov.